

Message Text

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PAGE 01 STOCKH 03818 141403Z

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E.O. 11652: N/A

TAGS: ETRD, EEC, SW

SUBJECT: SPECIALTY STEEL IMPORT CONTROLS

1. FOLLOWING MENTION IN LOCAL PRESS OF APPROACH BY SWEDISH IRONMASTERS' ASSOCIATION (JERNKONTORET) TO MINISTER OF COMMERCE LIDBOM FOR ASSISTANCE IN DIVIDING SWEDEN'S SPECIALTY STEEL QUOTAS AMONG SWEDISH PRODUCERS, EMBASSY OBTAINED COPY OF LETTER, TEXT OF WHICH SET FORTH BELOW. KEY PORTION IS IRONMASTERS' CONCERN THAT "CUSTOM-MADE" SPECIALTY STEEL PRODUCTS ARE HARDLY SUSCEPTIBLE TO THE FIRST-COME-FIRST-SERVED US PROCEDURES FOR IMPORT QUOTAS. TO AVOID PRODUCING SPECIALTY STEEL PRODUCTS TO CLIENT'S SPECIFICATIONS ONLY TO FIND THAT QUOTA ALREADY FILLED FOR YEAR, IRONMASTERS SEEKING MINISTRY OF COMMERCE COOPERATION IN ORCHESTRATING SWEDISH PRODUCTION AND EXPORT TO BEST MEET QUOTAS. HOWEVER, THEY FEAR US ANTI-TRUST LAWS MIGHT SOMEHOW BE APPLIED TO AN EFFORT ALONG THESE LINES.

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PAGE 02 STOCKH 03818 141403Z

2. THUS FAR GOS HAS NOT APPROACHED EMBASSY FOR ASSISTANCE IN INTERPRETING APPLICABILITY OF US ANTI-TRUST LEGISLATION. WE ARE NOT AWARE WHETHER AN APPROACH MAY HAVE BEEN MADE THROUGH THE SWEDISH EMBASSY IN WASHINGTON. IN ANY EVENT, EMBASSY EXPECTS THAT THIS CONCERN WILL SURFACE AT SOME TIME EARLY IN THE QUOTA PERIOD.

3. TEXT OF LETTER, DATED JULY 6, FROM SWEDISH IRON-MASTERS' ASSOCIATION TO COMMERCE MINISTER LIDBOM, AS INFORMALLY TRANSLATED BY EMBASSY:
QUOTE BY DECISION OF JUNE 11, 1976 (PROCLAMATION 4445), PRESIDENT FORD, EFFECTIVE JUNE 14, 1976, HAS INTRODUCED QUANTITATIVE RESTRICTIONS ON THE IMPORTATION TO THE UNITED STATES OF STAINLESS STEEL AND ALLOYED TOOL STEEL. THE RESTRICTIONS COVER THE PERIOD JUNE 14, 1976-JUNE 13, 1979. SWEDEN HAS BEEN ALLOTTED A TOTAL QUOTA AMOUNTING TO 24,000 NET TONS FOR THE PERIOD JUNE 14, 1976-JUNE 13, 1977. FOR THE TWO SUBSEQUENT TWELVE-MONTH PERIODS, SWEDEN HAS BEEN ALLOTTED QUANTITIES AMOUNTING TO 24,700 AND 25,500 NET TONS, RESPECTIVELY. THE QUANTITY ALLOCATED TO SWEDEN FOR THE FIRST TWELVE-MONTH PERIOD INVOLVES AN INCREASE OVER THE 1975 LEVEL IN TOTAL IMPORTS FROM SWEDEN OF THE STEEL GRADES AFFECTED, A LEVEL WHICH AMOUNTED TO 22,824 NET TONS. IT SHOULD BE STATED, HOWEVER, THAT THE IMPORT QUOTA FOR THE FIRST 12-MONTH PERIOD IS SMALLER THAN THE ACTUAL IMPORTS RECORDED FOR CALENDAR YEARS 1972, 1973 AND 1974, WHEN THEY AMOUNTED TO 27,543, 25,957 AND 24,590 NET TONS, RESPECTIVELY. THE TOTAL QUOTA ALLOCATED TO SWEDEN HAS BEEN DIVIDED INTO FIVE PRODUCT CATEGORIES. FOR FOUR OF THESE CATEGORIES, THE SUB-QUOTAS FOR THE FIRST 12-MONTH PERIOD ARE LESS THAN THE ACTUAL IMPORTS RECORDED IN PREVIOUS YEARS.

QUOTE AS REGARDS THE SWEDISH STEELWORKS INVOLVED, THE US RESTRICTIONS WILL CONSTITUTE A CONSIDERABLE BARRIER TO TRADE BECAUSE 1) THE SWEDISH EXPORTERS WILL NOT BE ABLE TO BENEFIT FROM THE INCREASE IN THEIR EXPORTS TO THE UNITED STATES WHICH COULD HAVE BEEN EXPECTED TO RESULT FROM THE STRONG ECONOMIC UPSWING TAKING PLACE IN THAT COUNTRY, AND 2) PRACTICAL DIFFICULTIES OF VARIOUS KINDS ARISE IN MAINTAINING PREVIOUS SWEDISH EXPORTS LEVELS TO THE UNITED STATES OF THE COMMODITIES INVOLVED. THE RISK OF DISTURBANCE IN THE LATTER CASE IS CONNECTED WITH LIMITED OFFICIAL USE

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PAGE 03 STOCKH 03818 141403Z

THE SPECIAL CHARACTER OF SWEDISH SPECIALTY STEEL EXPORTS TO THE UNITED STATES AND THE WAY IN WHICH THE US IMPORT QUOTAS HAVE BEEN CONSTRUCTED. A VERY LARGE PART OF SWEDISH SPECIALTY STEEL EXPORTS TO THE UNITED STATES--ABOUT ONE HALF OF THE ITEMS INVOLVED--COMPRISE, NAMELY, PRODUCTS WHICH IN QUALITY, DIMENSIONS, OR FORM ARE NOT TO BE REGARDED AS INVENTORY ITEMS BUT ARE PRODUCTS WHICH ARE MADE TO CUSTOMER'S SPECIFICATIONS. THIS LAST FACTOR MEANS THAT THE TIME ELAPSING BETWEEN SALE AND DELIVERY TO

THE UNITED STATES--ALREADY LONG BECAUSE OF THE DISTANCE BETWEEN THE TWO COUNTRIES--BECOMES RELATIVELY VERY PROTRACTED. THE CONSTRUCTION GIVEN THE US IMPORT RESTRICTIONS IS VERY BADLY SUITED TO THE EXPORT OF SUCH "CUSTOM-MADE COMMODITIES." THERE IS NO IMPORT LICENSE PROCEDURE: SUMMATION OF DELIVERIES AGAINST THE QUOTAS TAKES PLACE WHEN SHIPMENTS ARE CLEARED THROUGH CUSTOMS IN THE UNITED STATES ON A FIRST-COME-FIRST-SERVED BASIS. WHEN THE QUOTA FOR A COUNTRY HAS BEEN FILLED, IMPORTS ARE STOPPED UNTIL THE NEXT 12-MONTH PERIOD BEGINS. THEORETICALLY, THIS COULD MEAN THAT PRODUCERS OF STOCKED GOODS, BY SHIPPING LARGE QUANTITIES AT THE BEGINNING OF A QUOTA PERIOD, COULD FILL THE ENTIRE QUOTA. THIS WOULD MAKE THE DELIVERY OF PRODUCTS MADE TO SPECIFICATION IMPOSSIBLE LATER IN THE PERIOD. NOR WOULD IT BE POSSIBLE FOR EXPORTERS OF "CUSTOM-MADE PRODUCTS" TO PLAN THEIR EXPORTS AND GUARANTEE FIXED DELIVERY TIMES. SUCH A SITUATION WOULD INVOLVE VERY SERIOUS DISTURBANCE TO OUR TRADITIONAL STEEL EXPORTS TO THE UNITED STATES.

QUOTE A SITUATION SUCH AS THIS COULD BE AVOIDED IF THE EXPORTING SWEDISH FIRMS, BY MUTUAL AGREEMENT, WERE TO APPORTION THE QUOTAS ALLOTTED TO SWEDEN AMONG THEMSELVES. BY SO DOING, HOWEVER, THE SWEDISH FIRMS MIGHT BE INFRINGING UPON US ANTI-TRUST LEGISLATION AND RUN THE RISK OF BEING PROSECUTED FOR CONTRAVENING THIS LEGISLATION.

QUOTE IT SHOULD ALSO BE POINTED OUT IN THIS CONNECTION THAT THERE IS A RISK THAT INDEPENDENT TRADING FIRMS, WHICH, TO THE KNOWLEDGE OF THE ASSOCIATION DO NOT NORMALLY TRADE IN THE COMMODITIES CONCERNED TO ANY LARGE EXTENT, MAY TAKE THE OPPORTUNITY OF UTILIZING A PORTION OF THE QUOTAS TO THE DETRIMENT OF TRADITIONAL SWEDISH STEEL EXPORTERS.

QUOTE IN THE SITUATION IN WHICH THE SWEDISH SPECIALTY STEEL LIMITED OFFICIAL USE

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INDUSTRY FINDS ITSELF AS A RESULT OF THE IMPORT RESTRICTIONS IMPOSED BY THE UNITED STATES ON JUNE 14, 1976, THE SWEDISH IRON-MASTERS' ASSOCIATION CONSIDERS THAT EXTRAORDINARY MEASURES ARE CALLED FOR. THE ASSOCIATION THUS REQUESTS THAT THE GOVERNMENT INSTITUTE MEASURES--FOR EXAMPLE THROUGH A SYSTEM OF EXPORT CONTROLS--WHEREBY ADJUSTMENT, WITHOUT ANY LARGE-SCALE DISRUPTION, COULD BE MADE FOR THE ALTERED CIRCUMSTANCES FOR EXPORT OF THE RELEVANT COMMODITIES TO THE UNITED STATES. IT IS ESPECIALLY IMPORTANT IN THIS CONNECTION THAT THE MEASURES WHICH MIGHT BE ADOPTED SHOULD PROTECT THE SWEDISH FIRMS AS FAR AS POSSIBLE FROM ANTI-TRUST INITIATIVES ON THE PART OF THE AMERICANS. UNQUOTE SMITH

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